

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

-----oo0oo-----

CODY VALJALO, an individual; and
DYLON VALJALO, an individual,

Plaintiffs,

v.

AUSTIN TAYLOR, an individual;
and CLU LLC, a Florida limited
liability company,

Defendants.

No. 2:23-cv-02390 WBS AC

ORDER

-----oo0oo-----

The matter was referred to the undersigned pursuant to
Local Rule 302(c)(19).

On June 17, 2024, the Magistrate Judge filed revised
findings and recommendations herein which were served on
plaintiffs and which contained notice to plaintiffs that any
objections to the findings and recommendations were to be filed
within twenty-one days. (Docket No. 20.) Plaintiffs have filed
objections to the findings and recommendations. (Docket No. 21.)

1 The court has reviewed the file and finds the findings
2 and recommendations to be supported by the record and by the
3 Magistrate Judge's analysis. The court OVERRULES plaintiffs'
4 objection to the Magistrate Judge's recommendation that the court
5 decline to award punitive damages.

6 In their objections (Docket No. 21), plaintiffs argue
7 that they would not be made whole with the recommended award of
8 compensatory damages because it does not account for the present
9 value of the cryptocurrency they paid to defendants and does not
10 account for the attorney's fees they have expended in this case.
11 However, plaintiffs do not object to the Magistrate Judge's
12 calculation of compensatory damages (see Docket No. 21 at 6), and
13 the court sees no error in this calculation. Plaintiffs also did
14 not move for attorney's fees and provide no authority showing
15 that they are entitled to attorney's fees in this case.

16 Plaintiffs also have a mistaken impression of the
17 circumstances under which punitive damages are available under
18 California law. It is the purpose of compensatory damages, not
19 punitive damages, to make plaintiffs whole for their losses.
20 California Civil Code § 3281 provides that compensatory damages
21 are recoverable for "[e]very person who suffers detriment from
22 the unlawful act or omission of another." In contrast, punitive
23 damages are awarded "in addition to the actual damages, . . . for
24 the sake of example and by way of punishing the defendant." Cal
25 Civ. Code § 3294(a). Thus, plaintiffs' claim that the
26 recommended compensatory damages award would not fully compensate
27 them for their losses has no bearing on whether punitive damages
28 are appropriate.

1 The court also agrees with the Magistrate Judge's
 2 analysis with respect to her determination that punitive damages
 3 should not be awarded here. As noted by the Magistrate Judge,
 4 "punitive damages are never awarded as a matter of right, are
 5 disfavored by the law, and should be granted with the greatest of
 6 caution and only in the clearest of cases." (Docket No. 20 at 14
 7 (quoting Directi Internet Sols. Pvt. Ltd. v. Dhillon, No. 2:12-
 8 cv-1045 WBS DAD, 2013 WL 460319, at *6, n.7 (E.D. Cal. Feb. 5,
 9 2013) (citing Henderson v. Sec. Pac. Nat'l Bank, 72 Cal. App. 3d
 10 764, 771 (1st Dist. 1977))).) Because there is no evidence of
 11 defendant's financial condition¹ and it does not appear that
 12 punitive damages are necessary to deter defendants from engaging
 13 in similar conduct in the future, plaintiffs have not shown by
 14 clear and convincing evidence that an award of punitive damages
 15 is appropriate. See, e.g., Prof'l Seminar Consultants, Inc. v.
 16 Sino Am. Tech. Exch. Council, Inc., 727 F.2d 1470, 1473 (9th Cir.
 17 1984).

18 ¹ Plaintiffs contend that they need not provide
 19 evidence of defendants' financial situation, citing cases
 20 excusing the failure to provide such evidence based on the
 21 principle that plaintiffs should not be disadvantaged on the
 22 account of lack of proof where defendants did not respond to
 23 discovery requests. (Docket No. 21 at 9-10 (citing Mike Davidov
 24 Co. v. Issod, 78 Cal. App. 4th 597, 608 (2d Dist. 2000); Garcia
 25 v. Myllyla, 40 Cal. App. 5th 990, 995 (2d Dist. 2019); Morgan v.
 26 Davidson, 29 Cal. App. 5th 540, 551 (4th Dist. 2018))).) However,
 27 those cases all appear to involve trials or evidentiary hearings
 28 where defendants participated but had refused to respond to
 discovery requests regarding their financial condition and/or
 refused to produce such evidence. Plaintiffs cite no case where
 a court has awarded punitive damages against a party in default
 who has not appeared in the case, and even if there were such
 precedent, this court would not be inclined to award punitive
 damages in this case without some evidence as to defendant's
 financial condition.

Accordingly, IT IS HEREBY ORDERED that:

1. The revised findings and recommendations filed June 17, 2024 (Docket No. 20), are adopted in full;

2. Plaintiffs' objections are overruled; and

3. Plaintiffs' motion for default judgment (Docket No. 15) is GRANTED. Plaintiffs are awarded \$450,242.91 (\$403,897 in contract damages plus \$46,527.00 in royalties); and

4. This case is CLOSED.

Dated: September 16, 2024



WILLIAM B. SHUBB

UNITED STATES DISTRICT JUDGE